

**NORTH IOWA AREA COMMUNITY COLLEGE  
MASON CITY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

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## Officials

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Name	Title	Term Expires
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### Board of Directors

#### (Before September, 2008 Election)

David Steffens, Jr.	President	2009
Jean Torgeson	Vice President	2011
Karen Knudtson	Member	2011
Dean Cataldo	Member	2011
John Heilskov	Member	2011
Gordon Anderson	Member	2009
James Niemants	Member	2009
Toni Noah	Member	2009
Robert Davis	Member	2011

#### (After September, 2008 Election)

Jean Torgeson	President	2011
John Heilskov	Vice President	2011
Karen Knudtson	Member	2011
Dean Cataldo	Member	2011
David Steffens, Jr.	Member	2009
Gordon Anderson	Member	2009
James Niemants	Member	2009
Toni Noah	Member	2009
Robert Davis	Member	2011

### Officials

Dr. Debra Derr	President
Katherine Grove	Vice President, Administration and Board Secretary/Treasurer

## **Independent Auditor's Report**

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Board of Directors  
North Iowa Area Community College  
Mason City, Iowa

We have audited the accompanying financial statements of North Iowa Area Community College, Mason City, Iowa, at and for the year ended June 30, 2009, which along with the discretely presented component unit collectively comprise the College's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit, North Iowa Area Community College Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the North Iowa Area Community College Foundation is based on the report of the other auditors.

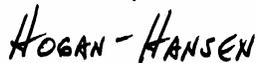
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Iowa Area Community College and its discretely presented component unit at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2010 on our consideration of North Iowa Area Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Schedule of Funding Progress for the Retiree Health Plan on Pages 4 through 12 and 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Iowa Area Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements and supplemental data. The supplementary information on Pages 32 through 42, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Information included in the statistical section (Pages 43 through 45) has not been audited by us, and we express no opinion or provide any other assurance on it.



HOGAN - HANSEN

Mason City, Iowa  
January 28, 2010

**North Iowa Area Community College  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

Management of North Iowa Area Community College (College) has prepared a discussion and analysis of the College's financial statements that provides an overview of financial activities for the year beginning July 1, 2008 and ending June 30, 2009. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- College operating revenue decreased 10.37% in FY09. There was a change in reporting of Pell grant revenue between FY08 and FY09. In FY08 Pell grant revenue was recorded as operating revenue; in FY09 it is reported as non-operating revenue. This accounts for the decrease. Tuition and fees rates were increased by 3.7% for FY09. There was a reduction in tuition collected in the continuing education division because of loss in revenue generated for providing Lean Manufacturing training. This is attributed to the change in our economic climate in North Iowa. Revenue associated with the Iowa Industrial New Jobs Training Program decreased by 3.07% in FY09. This program involves the diversion of state withholding to repay bonds that are issued for workforce training. Revenue for this program can vary from year to year depending on funds needed for annual bond payments.
- College operating expenses in FY09 increased 2.84% over FY08. Salary and benefit costs increased by 3.6%. Two unfilled faculty positions and the costs associated with hiring adjunct instructors contributed to the salary and benefit costs. These changes show in the lower increase in expenses for the year.
- Construction on a new Recreation Center was completed in FY09.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The College's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets and a Statement of Cash Flows. These statements provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Supplementary information further explains and supports the financial statements with a comparison of the College's actual results to its budget for the year, and provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.

This discussion and analysis focuses on the College's primary institution operations. The College's discretely presented component unit issues separately audited financial statements which can be obtained from the Foundation's administrative offices.

## **REPORTING THE COLLEGE AS A WHOLE**

### **The Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities and net assets of the College as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and non-current assets, current and non-current liabilities and net assets (assets less liabilities). Over time, readers of the financial statements are able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement presents the available assets that can be used to satisfy those liabilities.

	<b>Net Assets</b>	
	<b><u>June 30, 2009</u></b>	<b><u>June 30, 2008</u></b>
Current and other assets	\$ 26,233,330	\$ 26,625,832
Non-current assets	1,430,854	1,778,025
Capital assets, net of accumulated depreciation	<u>22,872,919</u>	<u>22,253,138</u>
Total assets	<u>\$ 50,537,103</u>	<u>\$ 50,656,995</u>
Current liabilities	\$ 8,836,917	\$ 10,229,633
Non-current liabilities	<u>9,664,254</u>	<u>10,076,164</u>
Total liabilities	<u>18,501,171</u>	<u>20,305,797</u>
Net assets:		
Invested in capital assets, net of related debt	22,872,919	22,253,138
Restricted, expendable	3,603,433	2,345,848
Unrestricted	<u>5,559,580</u>	<u>5,752,212</u>
Total net assets	<u>32,035,932</u>	<u>30,351,198</u>
Total liabilities and net assets	<u>\$ 50,537,103</u>	<u>\$ 50,656,995</u>

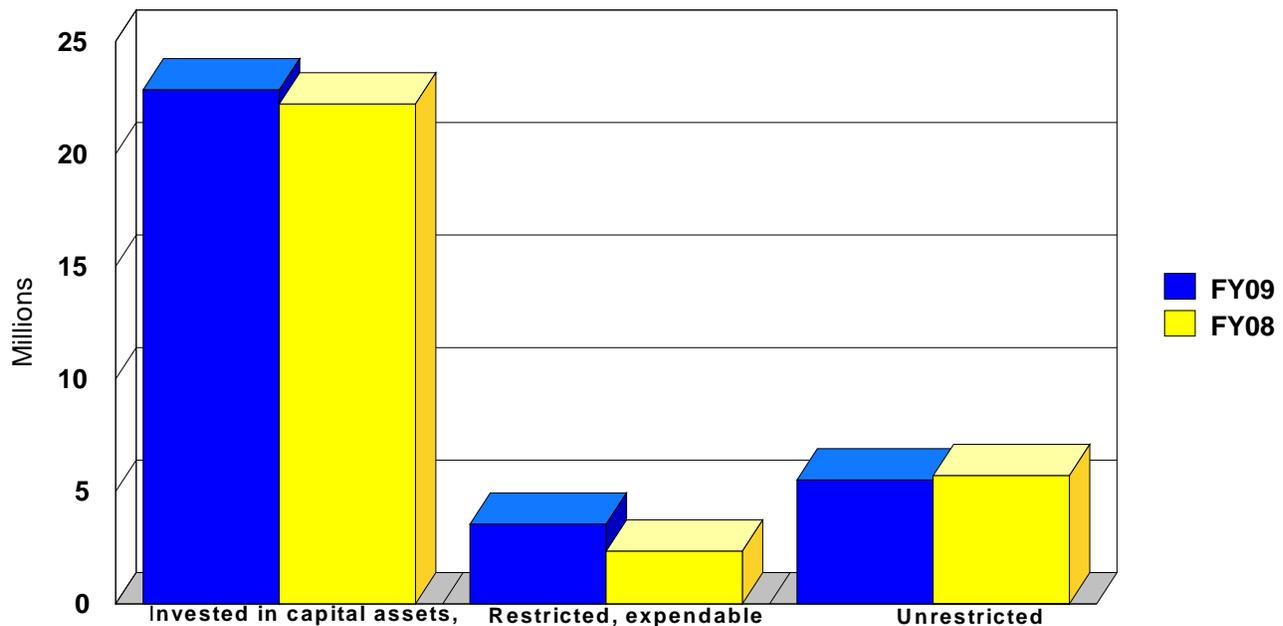
The largest portion of the College’s net assets (71.4%) is in Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Invested in Capital Assets is liquidated with sources other than capital assets. The restricted portion of net assets (11.25%) includes resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets represent the remaining net assets (17.35%). These can be used to meet the College’s obligations as they come due.

Restricted, expendable net assets in FY09 increased \$1,257,585 from FY08 or 53.6%. This was due to an increase in the performance of the Economic Development programs and some of the early retirement tax collection applying to the negative early retirement fund balance.

Unrestricted net assets decreased \$192,632 or 3.35%. Much of this decrease is the result of the completion of construction on the Recreation Center that began in August 2007 and was completed in the fall of 2008.

### Statement of Revenue, Expenses and Changes in Net Assets

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenue, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenue received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the College. The report reflects FY09 and FY08 numbers.



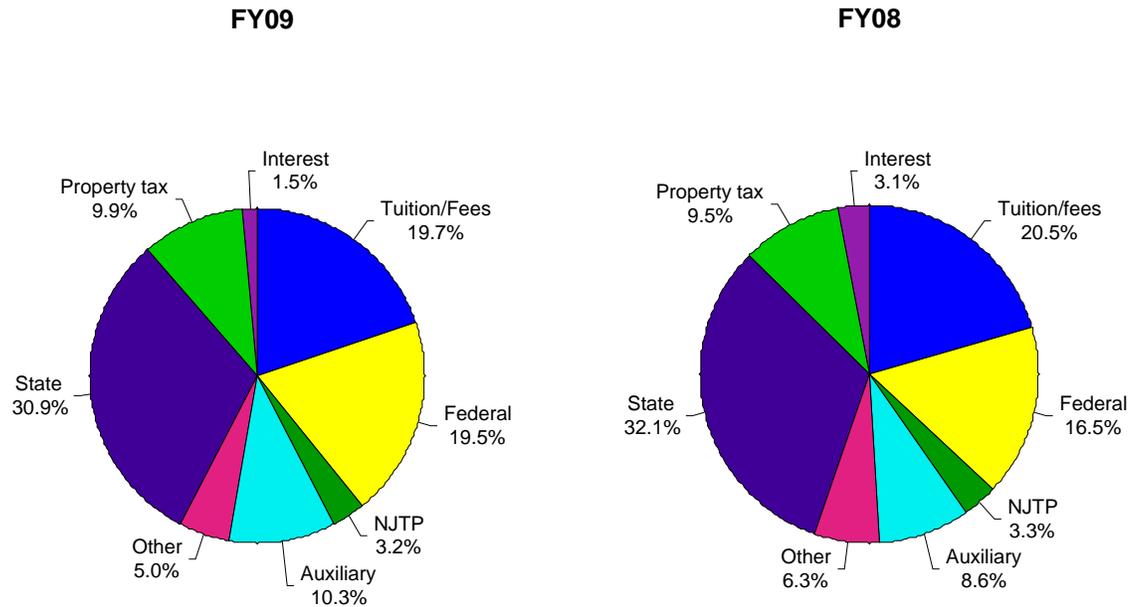
In general, a public college such as North Iowa Area Community College will report an operating loss, as the financial reporting model classifies state appropriations, Pell grant and property taxes as non-operating revenue. Operating revenue is received for providing goods and services to students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenue, and to carry out the mission of the College. Non-operating revenue is revenue received for which goods and services are not provided. Pell grant is an addition to this section in FY09. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

### Changes in Net Assets

	<b><u>Year ended</u></b> <b><u>June 30, 2009</u></b>	<b><u>Year ended</u></b> <b><u>June 30, 2008</u></b>
Operating revenue:		
Tuition and fees	\$ 6,728,999	\$ 6,888,206
Federal appropriations	3,739,488	5,548,711
Sales and services	162,119	178,497
Iowa Industrial New Jobs Training Program	1,076,200	1,110,306
Accounts receivable and student loan interest	---	763
Auxiliary enterprises	3,512,219	2,891,449
Miscellaneous	<u>890,150</u>	<u>1,355,984</u>
Total operating revenue	16,109,175	17,973,916
Total operating expenses	<u>32,287,756</u>	<u>31,395,696</u>
Operating loss	<u>(16,178,581)</u>	<u>(13,421,780)</u>
Non-operating revenue (expenses):		
State appropriations	10,554,683	10,782,145
Pell grant	2,918,463	---
Property tax	3,379,636	3,209,007
Gifts	550,865	594,461
Interest income from investments	504,358	1,027,324
Loss on disposal of plant assets	---	(1,771)
Donated capital assets	85,894	---
Interest on indebtedness	<u>(533,302)</u>	<u>(531,257)</u>
Net non-operating revenue	<u>17,460,597</u>	<u>15,079,909</u>
Increase in net assets before other revenue	1,282,016	1,658,129
Capital grants and gifts	<u>125,000</u>	<u>150,823</u>
Increase in net assets	1,407,016	1,808,952
Change for prior year adjustment	277,718	---
Net assets beginning of year	<u>30,351,198</u>	<u>28,542,246</u>
Net assets end of year	<u>\$ 32,035,932</u>	<u>\$ 30,351,198</u>

The Statement of Revenue, Expenses and Changes in Net Assets reflects a surplus with an increase (\$1,407,016 or 4.59%) in the net assets at the end of the fiscal year but did show an increase (\$2,756,801 or 20.54%) in net operating loss. Most of this change in operating loss is attributable to the change in classification of Pell grant reporting from operating to non-operating revenue.

# Total Revenue by Source



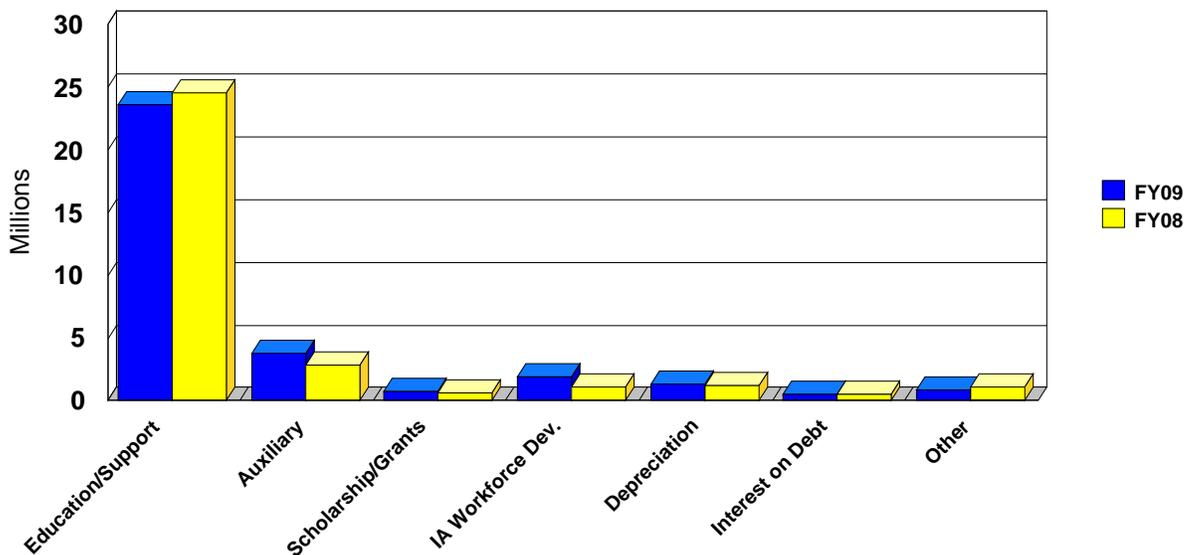
In FY09, operating revenue decreased \$1,864,741 or 10.37%, as a net result of the following changes:

- Tuition for credit classes increased due to an increase in the tuition rate from \$99.85 per credit hour in FY08 to \$103.55 per credit hour in FY09. There was a significant loss in Continuing Education revenue between the two years from lighter demand for our Lean Manufacturing offerings.
- Federal revenue increased \$1,109,240 or 20% in FY09 because of special WIA funding and increased Pell grant awards. State appropriations decreased 2.11%. This is due in part to state support for construction that was received in FY08, but was not available in FY09.
- Revenue associated with the Iowa Industrial New Jobs Training Program decreased by \$34,106 in FY09. This program issues bonds used for workforce training by new or expanding companies. The bonds are repaid from employee state withholding revenue that is diverted to this program. Revenue depends on what is needed to make the annual principal and interest payments.

## Operating Expenses

	<b><u>Year ended June 30, 2009</u></b>	<b><u>Year ended June 30, 2008</u></b>
Education and support:		
Liberal arts and science	\$ 6,383,665	\$ 6,202,012
Vocational technical	3,798,128	3,607,757
Adult education	2,276,703	3,485,900
Cooperative services	1,564,384	1,978,465
Administration	1,547,106	1,680,452
Student services	3,624,833	3,486,624
Learning resources	563,068	556,865
Physical plant	1,875,105	1,579,241
General institution	1,990,540	2,005,961
Auxiliary enterprises	3,761,344	2,886,876
Scholarship and grants	804,603	595,177
Iowa Workforce Development Contract	1,912,893	1,071,456
Loan cancellations and bad debt	3,274	754
Administrative and collection costs	874,995	1,061,518
Depreciation	<u>1,307,115</u>	<u>1,196,638</u>
 Total	 <u>\$ 32,287,756</u>	 <u>\$ 31,395,696</u>

## Total Expenses



In FY09, operating expenses increased by 2.84% mainly due to faculty and staff receiving an average salary increase of 3.6% accompanied by a 0.26% increase in the cost of the College's health insurance program.

## Statement of Cash Flows

The final statement included in North Iowa Area Community College's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping the users to assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing and investing activities. Information is presented for FY09 and FY08.

### Cash Flows

	<b><u>Year ended</u></b> <b><u>June 30, 2009</u></b>	<b><u>Year ended</u></b> <b><u>June 30, 2008</u></b>
Cash provided (used) by:		
Operating activities	\$ (15,789,896)	\$ (10,906,298)
Non-capital financing activities	17,412,931	14,618,558
Capital and related financing activities	(2,963,763)	(3,848,405)
Investing activities	<u>2,654,358</u>	<u>(622,676)</u>
Net increase (decrease) in cash	1,313,630	(758,821)
Cash beginning of the year	<u>4,875,310</u>	<u>5,634,131</u>
Cash end of the year	<u><u>\$ 6,188,940</u></u>	<u><u>\$ 4,875,310</u></u>

Cash used for operating activities includes tuition and fees, grants and contracts along with payments to employees and to suppliers. Much of the change in use of cash for operating activities is related to activity associated with increased activity in the Workforce Development funding from special grants and change in classification of Pell grants.

Cash provided by non-capital financing activities includes state appropriations, local property taxes received by the College and the receipt and disbursement of federal direct loan program proceeds. The increase in cash flow is directly related to the change in classification of Pell grant.

Cash used for capital and related financing activities represents the proceeds from debt, the principal and interest payments of debt and the purchase of capital assets. NIACC issued Iowa New Jobs Training bonds and had lower construction costs in FY09. Payments for principal and interest on debt as well as acquisition of capital assets contributed to the change in "Capital and related financing activities".

Cash flows from investing activities reflects that less funds were invested in certificates of deposit than a year ago. Investment income decreased in FY09 by \$522,966. This is due to lower interest rates in FY09.

## **CAPITAL ASSETS**

At June 30, 2009 the College had \$42,483,499 invested in capital assets, less accumulated depreciation of \$19,610,580. Depreciation charges totaled \$1,307,115 for the 2009 fiscal year. Details for the capital assets are shown below.

### **Capital Assets, Net, at Year-End**

	<b><u>June 30, 2009</u></b>	<b><u>June 30, 2008</u></b>
Land	\$ 340,756	\$ 340,756
Building	20,320,670	14,706,528
Construction in progress	---	4,776,394
Other structures and improvement	625,141	694,758
Equipment and vehicles	<u>1,586,352</u>	<u>1,734,702</u>
Total	<u>\$ 22,872,919</u>	<u>\$ 22,253,138</u>

With the completion of the Recreation Center, buildings increased \$5,614,142 in FY09. Construction of the Recreation Center was completed in the fall of 2008.

Planned capital expenditures for FY10 include the consideration of an addition to the Murphy Manufacturing Technology building for the ElectroMechanical Systems Technology program that includes our Wind Technician program. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

## **DEBT**

At June 30, 2009, the College had \$8,930,000 in debt outstanding, a decrease of \$265,000 from FY08. The table below summarizes these amounts by type.

### **Outstanding Debt**

	<b><u>June 30, 2009</u></b>	<b><u>June 30, 2008</u></b>
Certificates payable	\$ 7,195,000	\$ 7,280,000
Notes payable	<u>1,735,000</u>	<u>1,915,000</u>
	<u>\$ 8,930,000</u>	<u>\$ 9,195,000</u>

More detailed information about the College's outstanding debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS**

North Iowa Area Community College continued to improve its financial positions during the current fiscal year. Increased state general aid revenue for FY08 and FY09 (additional \$312,598 in FY09) has contributed to the financial health of the College. There will be decrease in the revenue stream from the state in FY10. The continuing decline in the demographics of high school students continues to be a concern for College officials.

- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.
- Demographics of the area continue to be a source of concern. The number of high school graduates will decline over the next five years and the population continues to age. This could impact enrollment at the College.
- Economic impacts on businesses will have an impact on our student population and demand for retraining of workers. Funding through Workforce Development to assist in some of this training has a limited period of availability.
- Expenses will continue to increase due to normal increases in salaries and benefits. Higher utility costs will also contribute to increased costs of operation.
- State financial concerns and decreases in state funding are challenging the ways we practice purchasing and hiring. Though federal American Recovery and Reinvestment Act (ARRA) funds were allocated to Iowa Community Colleges for FY2010, this is not continuing funding for subsequent years.

## **CONTACT THE COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact North Iowa Area Community College, 500 College Drive, Mason City, IA 50401.

## **Basic Financial Statements**

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# Statement of Net Assets

At June 30, 2009

	<b>Primary Institution</b>	<b><u>Component Unit</u> Foundation</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and certificates of deposit .....	\$ 18,938,940	\$ 1,493,685
Investment in marketable securities .....	—	8,123,266
Receivables		
Accounts (net of allowance for doubtful accounts		
College - \$239,342).....	888,498	2,285
Property tax - succeeding year .....	3,222,901	—
Notes (net of allowance for doubtful accounts -		
College - \$24,472).....	53,896	—
Iowa Industrial New Jobs Training Program .....	1,206,394	—
Contributions.....	—	148,759
Due from other governments .....	1,433,324	—
Prepaid expenses.....	42,393	—
Inventories.....	446,984	—
<b>Total Current Assets</b> .....	<b><u>26,233,330</u></b>	<b><u>9,767,995</u></b>
 <b>Noncurrent Assets</b>		
Investment in marketable securities .....	—	2,804,851
Receivables		
Notes.....	109,827	—
Iowa Industrial New Jobs Training Program .....	1,321,027	—
Contributions receivable .....	—	343,791
Investment in Commonfund Realty Investors, LLC .....	—	365,486
Investments in real estate.....	—	543,656
Beneficial interest in assets held by others .....	—	293,450
Capital assets, net of accumulated depreciation .....	<u>22,872,919</u>	<u>—</u>
<b>Total Noncurrent Assets</b> .....	<b><u>24,303,773</u></b>	<b><u>4,351,234</u></b>
 <b>Total Assets</b> .....	 <b><u>\$ 50,537,103</u></b>	 <b><u>\$ 14,119,229</u></b>

See accompanying notes to the financial statements.

	<b>Primary Institution</b>	<b><u>Component Unit Foundation</u></b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable .....	\$ 410,219	\$ 6,727
Salaries and benefits payable .....	1,119,831	—
Deferred compensation .....	10,000	—
Annuity payable .....	—	24,671
Interest payable .....	32,747	—
Compensated absences .....	533,625	—
Insurance claims incurred but not reported .....	46,445	—
Deposits held in custody for others .....	426,691	—
Advance payable .....	62,000	—
Deferred Revenue		
Succeeding year property tax .....	3,222,901	—
Tuition .....	199,609	—
Other .....	944,760	—
Early retirement payable .....	123,089	—
Certificates payable .....	1,515,000	—
Notes payable .....	190,000	—
<b>Total Current Liabilities</b> .....	<b><u>8,836,917</u></b>	<b><u>31,398</u></b>
<b>Noncurrent Liabilities</b>		
Early retirement payable .....	147,821	—
Deferred revenue, other .....	2,151,673	—
Deferred compensation .....	12,375	—
Annuity payable .....	—	13,149
Certificates payable .....	5,680,000	—
Notes payable .....	1,545,000	—
Net OPEB liability .....	93,526	—
Refundable advances on student loans .....	33,859	—
<b>Total Noncurrent Liabilities</b> .....	<b><u>9,664,254</u></b>	<b><u>13,149</u></b>
<b>Total Liabilities</b> .....	<b><u>18,501,171</u></b>	<b><u>44,547</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt .....	22,872,919	—
Restricted		
Nonexpendable .....	—	2,804,851
Expendable		
Loans .....	13,064	—
Cash reserve .....	285,793	—
Other .....	3,304,576	9,282,528
Unrestricted .....	5,559,580	1,987,303
<b>Total Net Assets</b> .....	<b><u>32,035,932</u></b>	<b><u>14,074,682</u></b>
<b>Total Liabilities and Net Assets</b> .....	<b><u>\$ 50,537,103</u></b>	<b><u>\$ 14,119,229</u></b>

# Statement of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2009

	Primary Institution	<u>Component Unit</u> Foundation
<b>Operating Revenue</b>		
Tuition and fees, net of scholarship allowances of \$2,551,693	\$ 6,728,999	\$ —
Federal appropriations.....	3,739,488	—
Sales and service .....	162,119	—
Iowa Industrial New Jobs Training Program.....	1,076,200	—
Auxiliary enterprises .....	3,512,219	—
Contributions .....	—	1,348,351
Miscellaneous.....	890,150	138,799
<b>Total Operating Revenue.....</b>	<b><u>16,109,175</u></b>	<b><u>1,487,150</u></b>
<b>Operating Expenses</b>		
Education and Support		
Liberal arts and sciences .....	6,383,665	—
Vocational technical .....	3,798,128	—
Adult education .....	2,276,703	—
Cooperative services .....	1,564,384	—
Administration .....	1,547,106	—
Student services .....	3,624,833	—
Learning resources .....	563,068	—
Physical plant.....	1,875,105	—
General institution .....	1,990,540	—
Auxiliary enterprises .....	3,761,344	—
Scholarship and grants.....	804,603	—
Iowa Workforce Development contract.....	1,912,893	—
Loan cancellations and bad debts.....	3,274	—
Administrative and collection costs.....	874,995	—
Program services.....	—	1,291,697
Fundraising expenses .....	—	115,373
Management and general expenses .....	—	32,091
Depreciation .....	1,307,115	—
<b>Total Operating Expenses.....</b>	<b><u>32,287,756</u></b>	<b><u>1,439,161</u></b>
<b>Operating Income (Loss).....</b>	<b><u>(16,178,581)</u></b>	<b><u>47,989</u></b>
<b>Nonoperating Revenue (Expenses)</b>		
State appropriations .....	10,554,683	—
Pell grant .....	2,918,463	—
Property tax .....	3,379,636	—
Gifts .....	550,865	—
Investment income (loss), net of investment expense of \$37,043 for the Foundation.....	504,358	(2,734,727)
Change in value of beneficial interests.....	—	4,706
Donated capital assets .....	85,894	—
Interest on indebtedness .....	(533,302)	—
<b>Net Nonoperating Revenue (Expenses).....</b>	<b><u>17,460,597</u></b>	<b><u>(2,730,021)</u></b>
<b>Increase (Decrease) in Net Assets Before Other Revenue</b>	<b>1,282,016</b>	<b>(2,682,032)</b>
Capital grants and gifts.....	125,000	—
<b>Increase (Decrease) in Net Assets.....</b>	<b>1,407,016</b>	<b>(2,682,032)</b>
Net Assets - Beginning of Year, as restated (Note 15).....	30,628,916	16,756,714
<b>Net Assets - End of Year.....</b>	<b><u>\$ 32,035,932</u></b>	<b><u>\$ 14,074,682</u></b>

See accompanying notes to the financial statements.

# Statement of Cash Flows

Year Ended June 30, 2009

## Cash Flows From Operating Activities

Tuition and fees .....	\$ 7,050,133
Federal appropriations.....	3,281,730
Iowa Industrial New Jobs Training Program.....	1,296,806
Payments to employees for salaries and benefits .....	(19,451,557)
Payments to suppliers for goods and services .....	(11,398,113)
Payments to New Jobs Training Program recipients.....	(659,377)
Scholarships .....	(233,878)
Loans issued to students.....	(69,635)
Loan collections from students .....	36,762
Auxiliary enterprise receipts .....	3,282,474
Other receipts.....	<u>1,074,759</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>(15,789,896)</u></b>

## Cash Flows From Noncapital Financing Activities

State appropriations .....	10,640,724
Pell grant .....	2,918,463
Property tax .....	3,379,636
Gifts for other than capital purposes.....	550,865
Federal direct lending receipts .....	6,521,461
Federal direct lending disbursements.....	(6,536,038)
Miscellaneous agency fund receipts.....	358,032
Miscellaneous agency fund disbursements.....	<u>(420,212)</u>
<b>Net Cash Provided by Noncapital Financing Activities .....</b>	<b><u>17,412,931</u></b>

## Cash Flows From Capital and Related Financing Activities

Gifts for purchase of capital assets .....	125,000
Acquisition of capital assets .....	(2,289,374)
Proceeds from issuance of debt.....	1,575,000
Principal paid on debt.....	(1,840,000)
Interest paid on debt.....	<u>(534,389)</u>
<b>Net Cash Used in Capital and Related Financing Activities .....</b>	<b><u>(2,963,763)</u></b>

## Cash Flows From Investing Activities

Proceeds from maturity of certificates of deposit.....	29,275,000
Purchase of certificates of deposit.....	(27,125,000)
Investment income .....	<u>504,358</u>
<b>Net Cash Provided by Investing Activities .....</b>	<b><u>2,654,358</u></b>

<b>Net Increase in Cash .....</b>	<b>1,313,630</b>
Cash at Beginning of Year.....	<u>4,875,310</u>
<b>Cash at End of Year.....</b>	<b><u>\$ 6,188,940</u></b>

# Statement of Cash Flows

Year Ended June 30, 2009

## Reconciliation of Loss From Operations to Net Cash Used in Operating Activities

Loss from operations .....	\$ (16,178,581)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Depreciation .....	1,307,115
Changes in Assets and Liabilities	
Decrease in accounts receivable, net .....	556,402
Increase in notes receivable, net .....	(29,599)
Decrease in Iowa Industrial New Jobs Training Program receivable .....	248,334
Increase in due from governments .....	(457,758)
Increase in prepaid expenses .....	(33,615)
Increase in inventories .....	(445,284)
Decrease in accounts payable .....	(355,293)
Increase in salaries and benefits payable .....	146,453
Decrease in deferred revenue .....	(464,231)
Decrease in deferred compensation .....	(70,000)
Increase in compensated absences .....	42,280
Decrease in early retirement payable .....	(127,915)
Decrease in reserve for unsubmitted insurance claims .....	(3,827)
Decrease in refundable advances on student loans .....	(11,883)
Decrease in deposits held in custody .....	(6,020)
Increase in net OPEB liability .....	<u>93,526</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>\$ (15,789,896)</u></b>

## Supplemental Disclosures

### Noncash, Capital Financing Activities

#### At June 30, 2009

Cash .....	\$ 6,188,940
Certificates of deposit .....	<u>12,750,000</u>

**Total Cash and Certificates of Deposit .....** **\$ 18,938,940**

### Capital and Related Financing Activities

#### At June 30, 2009

Cost of property and equipment .....	\$ 1,649,178
Amounts Payable	
Prior year .....	726,090
Current year .....	—
Donated property and equipment .....	<u>(85,894)</u>

**Cash Paid for Property and Equipment .....** **\$ 2,289,374**

# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies and Other Matters**

North Iowa Area Community College (College) is a publicly supported post secondary two-year institution established and operated by Merged Area II under the provisions of Chapter 260C of the Code of Iowa. The College offers programs of adult and continuing education, lifelong learning, community education and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. The College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. The College maintains a campus and has its administrative offices in Mason City, Iowa. The College is governed by a Board of Directors whose members are elected from each director district within Merged Area II.

The College's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

### **Reporting Entity**

For financial reporting purposes, the College has included all funds, organizations, agencies, boards, commissions and authorities. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College.

These financial statements present North Iowa Area Community College (the primary government) and its component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationship with the College. Certain disclosures about the component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the College.

### **Discrete Component Unit**

North Iowa Area Community College Foundation (Foundation) is a legally separate not-for-profit foundation. The Foundation was established for the purpose of soliciting gifts and grants to support the activities and services of the College. The Foundation is governed by a Board of Directors who are not appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of the College. A copy of the Foundation's financial statements may be obtained from Kathy Grove, Vice President for Administrative Services, Pierce Administration Building, Mason City, Iowa.

The Foundation is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

### **Basis of Presentation**

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following four net asset categories:

#### ***Invested in Capital Assets, Net of Related Debt***

Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

#### ***Restricted Net Assets***

Nonexpendable - Net assets subject to externally imposed stipulations that they be maintained permanently by the College.

Expendable - Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time.

#### ***Unrestricted Net Assets***

Net assets that are not subject to externally imposed stipulations. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

Under the College's centralized management structure, it is the responsibility of the business office to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

GASB Statement No. 35 also requires the statements of net assets, revenue, expenses and changes in net assets and cash flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

### **Measurement Focus and Basis of Accounting**

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB statements issued after the applicable date.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

### Assets, Liabilities and Net Assets

#### ***Cash and Certificates of Deposit***

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Certificates of deposit are stated at cost.

#### ***Due from Other Governments***

This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the federal government.

#### ***Inventories***

Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expense at the time individual inventory items (which consists primarily of textbooks) are consumed.

#### ***Property Tax Receivable***

Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the Board of Directors to the appropriate County Auditors. Delinquent property tax receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

#### ***Receivable for Iowa Industrial New Jobs Training Program (NJTP)***

This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2009 on NJTP projects, including interest incurred on NJTP certificates, less revenue received to date.

#### ***Capital Assets***

Capital assets, which include land, buildings and other structures and improvements, furniture, vehicles and equipment are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

Capital assets are defined by the College as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

Land, buildings and improvements .....	\$ 5,000
Furniture, vehicles and equipment.....	5,000

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings.....	20 - 50 Years
Other structures .....	20 - 25 Years
Furniture, vehicles and equipment.....	4 - 20 Years

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

### **Salaries and Benefits Payable**

Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

### **Deferred Revenue**

Deferred revenue for the succeeding year property tax represents amounts certified by the Board of Directors to be collected in the next fiscal year. Although the property tax receivable has been recorded, the related revenue is deferred and will be recognized as revenue in the year for which it is levied.

Deferred tuition includes summer session activity which will be recognized as revenue in the following fiscal year.

Other deferred revenue includes administrative fees received by the College for the administration of new jobs training projects. The administrative fees are recognized as revenue over a nine-year period for projects administered in accordance with Chapter 260E of the Code of Iowa and over a two-year period for projects administered in accordance with Chapter 260F.

### **Compensated Absences**

College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2009.

### **Advance Payable**

The College entered into a five-year cost-sharing arrangement with Mercy Medical Center - North Iowa on December 30, 1998 related to health care education programs, services to health care providers and community health-related courses provided by the College. The arrangement automatically renewed on December 30, 2003 for an additional five-year period. Pursuant to the arrangement, the College was advanced \$62,000 (to be returned upon termination of the arrangement) and received a subsidy equal to 76% of the operating and capital costs not covered by tuition and fees. The arrangement could be terminated by either party upon 90 days written notice.

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies and Other Matters

On July 1, 2008 (before the aforementioned arrangement was to expire), the arrangement was changed for fiscal year 2009. Instead of receiving the 76% subsidy, the College was reimbursed for all applicable expenses and salaries were no longer billed to the College. However, the College provided a monthly reimbursement equal to all related tuition and fee revenue and paid an annual subsidy of \$175,000.

In July, 2009, the \$62,000 advance payable was returned and the parties agreed to terminate the arrangement effective June 30, 2010.

#### ***Refundable Advances on Student Loans***

The Nursing Student Loan Program requires a return of federal capital contributions if the United States Government terminates the program.

#### ***Tuition and Fees***

Tuition and fees revenue is reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

#### ***Auxiliary Enterprise Revenue***

Auxiliary enterprise revenue primarily represents revenue generated by the dormitories, bookstore, food service, auditorium and athletics.

#### ***Operating and Nonoperating Activities***

Operating activities, as reported in the statement of revenue, expenses and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, Pell grants, property tax and interest income.

#### **Scholarship Allowances and Student Aid**

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third-party aid.

#### **Income Taxes**

The College is exempt from federal income taxes under the provisions of Internal Revenue Code Section 115 as a political subdivision of the State of Iowa. As such, the College is subject to federal income taxes only on unrelated business taxable income under the provisions of Internal Revenue Code Section 511.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies and Other Matters

### Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## (2) Cash and Certificates of Deposit

The College's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

The College is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

### Foundation

The Foundation is authorized by the Board of Directors to invest funds in deposits at FDIC-insured institutions, bonds, equity securities and real estate.

The Foundation's marketable securities are reported in accordance with Financial Accounting Standards Board Accounting Standards Codification. Under this codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of net assets. Unrealized gains and losses are included in the change in net assets.

Marketable securities and other investments are stated at fair value. Fair value and unrealized appreciation at June 30, 2009 are summarized as follows:

	<b>Cost or Donated Value</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Mutual Funds (Common Fund)			
Multi-Strategy Equity Fund.....	\$ 5,489,034	\$ 7,183,848	\$ 1,694,814
Multi-Strategy Bond Fund .....	3,353,958	3,618,001	264,043
Intermediate Term Fund.....	<u>120,290</u>	<u>111,064</u>	<u>(9,226)</u>
	8,963,282	10,912,913	1,949,631
Corporate stocks .....	<u>62,769</u>	<u>15,204</u>	<u>(47,565)</u>
	<b><u>\$ 9,026,051</u></b>	<b><u>\$ 10,928,117</u></b>	<b><u>\$ 1,902,066</u></b>

## Notes to the Financial Statements

### (3) Capital Assets

Capital assets activity for the College for the year ended June 30, 2009 was as follows:

	Balance - Beginning of Year (As Restated)	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated				
Land .....	\$ 340,756	\$ —	\$ —	\$ 340,756
Construction in progress .....	<u>5,054,112</u>	<u>1,290,548</u>	<u>6,344,660</u>	<u>—</u>
Total Capital Assets Not Being Depreciated.....	<u>5,394,868</u>	<u>1,290,548</u>	<u>6,344,660</u>	<u>340,756</u>
Capital Assets Being Depreciated				
Buildings.....	26,677,657	6,344,660	—	33,022,317
Other structures and improvements...	2,618,096	6,575	—	2,624,671
Furniture, vehicles and equipment.....	<u>6,159,248</u>	<u>352,054</u>	<u>15,547</u>	<u>6,495,755</u>
Total Capital Assets Being Being Depreciated.....	<u>35,455,001</u>	<u>6,703,289</u>	<u>15,547</u>	<u>42,142,743</u>
Less Accumulated Depreciation For				
Buildings.....	11,971,129	730,518	—	12,701,647
Other structures and improvements...	1,923,337	76,193	—	1,999,530
Furniture, vehicles and equipment.....	<u>4,424,546</u>	<u>500,404</u>	<u>15,547</u>	<u>4,909,403</u>
Total Accumulated Depreciation ..	<u>18,319,012</u>	<u>1,307,115</u>	<u>15,547</u>	<u>19,610,580</u>
Net Total Capital Assets Being Depreciated.....	<u>17,135,989</u>	<u>5,396,174</u>	<u>—</u>	<u>22,532,163</u>
<b>Capital Assets, Net .....</b>	<b><u>\$ 22,530,857</u></b>	<b><u>\$ 6,686,722</u></b>	<b><u>\$ 6,344,660</u></b>	<b><u>\$ 22,872,919</u></b>

### (4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Current Portion
Certificates payable .....	\$ 7,280,000	\$ 1,575,000	\$ 1,660,000	\$ 7,195,000	\$ 1,515,000
Notes payable.....	1,915,000	—	180,000	1,735,000	190,000
Early retirement benefits.....	398,825	44,570	172,485	270,910	123,089
Deferred revenue, other .....	3,277,958	662,759	844,284	3,096,433	944,760
Deferred compensation .....	92,375	20,000	90,000	22,375	10,000
Advance payable .....	62,000	—	—	62,000	62,000
Refundable advances on student loans .....	45,742	—	11,883	33,859	—
Net OPEB liability .....	<u>—</u>	<u>93,526</u>	<u>—</u>	<u>93,526</u>	<u>—</u>
	<b><u>\$ 13,071,900</u></b>	<b><u>\$ 2,395,855</u></b>	<b><u>\$ 2,958,652</u></b>	<b><u>\$ 12,509,103</u></b>	<b><u>\$ 2,844,849</u></b>

## Notes to the Financial Statements

### (4) Long-Term Liabilities

#### Certificates Payable

In accordance with agreements dated between June 1, 1998 and December 1, 2007, the College issued certificates totaling \$15,375,000 with interest rates ranging from 2.65% to 8.25%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2010.....	\$ 1,515,000	\$ 412,608	\$ 1,927,608
2011.....	1,200,000	318,135	1,518,135
2012.....	1,145,000	252,690	1,397,690
2013.....	820,000	188,440	1,008,440
2014.....	725,000	143,635	868,635
2015-2018 .....	<u>1,790,000</u>	<u>228,543</u>	<u>2,018,543</u>
<b>Total .....</b>	<b><u>\$ 7,195,000</u></b>	<b><u>\$ 1,544,051</u></b>	<b><u>\$ 8,739,051</u></b>

Total interest expenditures were \$461,414 for the certificates payable for the year ended June 30, 2009.

#### Notes Payable

The College has issued notes for the construction of a recreation center as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2009 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of October 16, 2007			Total
	Interest Rates	Principal	Interest	
2010.....	3.65 - 4.05%	\$ 190,000	\$ 65,249	\$ 255,249
2011.....	3.70 - 4.05	195,000	58,150	253,150
2012.....	3.75 - 4.05	200,000	50,863	250,863
2013.....	3.80 - 4.05	210,000	43,193	253,193
2014.....	3.85 - 4.05	220,000	35,038	255,038
2015 - 2017 .....	3.90 - 4.05	<u>720,000</u>	<u>51,183</u>	<u>771,183</u>
<b>Total .....</b>		<b><u>\$ 1,735,000</u></b>	<b><u>\$ 303,676</u></b>	<b><u>\$ 2,038,676</u></b>

Total interest expenditures were \$71,344 for the notes payable for the year ended June 30, 2009.

#### Early Retirement Benefits Payable

The liability at June 30, 2009 for those employees who have elected early retirement was \$270,910. For more details, see Note 8.

## Notes to the Financial Statements

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### (5) Operating Leases

The College has leased various facilities within merged Area II to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2009 and 2011 and require various minimum annual rentals. Certain leases are renewable for additional periods. The College also leases several copiers, all with terms of five years, under operating leases. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009.

<b>Year Ending June 30,</b>	
2010.....	\$ 57,826
2011.....	28,111
<b>Total.....</b>	<b><u>\$ 85,937</u></b>

Total rental expenditures for the year ended June 30, 2009 for all operating leases was \$64,048.

### (6) Iowa Public Employees Retirement System

The College contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.1% of their annual covered salary and the College is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The College's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 was \$421,408, \$383,057 and \$325,151, respectively, equal to the required contributions for the year.

### (7) Teachers Insurance and Annuity Association - College Retirement Equities Fund

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 4.1% and the College is required to contribute 6.35%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2009 were \$428,386 and \$276,595, respectively.

## Notes to the Financial Statements

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### **(8) Termination Benefits**

The College offers a voluntary early retirement plan to its employees. In order to qualify, an employee must be a minimum of 59 years of age and have ten or more years of service with the College in a part-time or full-time Board-approved position. Written acceptance of this offer must be received by the President by the first Monday of January in the year of retirement. Acceptance of this offer shall be considered by the Board as a voluntary resignation and termination of the continuing contract. An eligible employee may select one of the following options (1) cash payment, (2) partially paid family health insurance coverage, (3) partially paid individual health insurance coverage and partial cash payment or (4) mid-year early retirement. Early retirement benefits shall be calculated as a percent of the employee's last Board-approved salary.

A staff member electing retirement may, at his or her option, elect at the time of retirement to apply any retirement cash incentive, so long as it lasts, directly to continued participation in the College's group health insurance plan and/or life insurance plan (maximum benefits for life insurance coverage are equal to two times the employee's last annual salary rounded to the next highest thousand), provided that the College's insurer allows such. Such continued participation is limited to the plan that is offered to continuing staff members and is subject to the same terms, conditions, options and cost-sharing arrangements applicable to continuing staff members. Any unused cash incentive upon cessation of group health and/or life insurance plan participation shall be paid directly to the retiree or his or her beneficiary.

A retiree may elect to continue to insure his/her spouse in the College's group health plan until the spouse becomes eligible for Medicare. All costs of continued participation shall be paid by the participant.

If a staff member is at least 55 years of age, has ten years of service and has accumulated at least 90 days of sick leave on February 1 of the year of retirement, they will receive a payment for their accumulated sick leave as follows: \$4,000 for professional salaried staff; \$3,700 for faculty; and \$2,100 for office personnel, associate staff members and physical plant staff members. Those who meet the age and service criteria will be paid proportionately if they have less than 90 days on February 1 of the retirement year.

Included in the early retirement liability is a provision for future health insurance benefits elected by 14 retirees. Early retirement is funded on a pay-as-you-go basis through property tax levies. During the year ended June 30, 2009, 20 retirees received early retirement benefits. The College's early retirement expense for the year ended June 30, 2009 was \$172,485.

### **(9) Other Postemployment Benefits (OPEB)**

North Iowa Area Community College implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions*, during the year ended June 30, 2009.

#### **Plan Description**

The College operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 230 active and 22 retired members in the plan. Employees must be age 55 or older at retirement.

## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark, Iowa. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

#### Funding Policy

The contribution requirements of plan members are established and may be amended by the College. The College currently finances the retiree benefit plan on a pay-as-you-go basis.

#### Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost is calculated based on the annual required contribution of the College (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the College's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution.....	\$ 154,157
Interest on net OPEB obligation .....	—
Adjustment to annual required contribution .....	—
Annual OPEB Cost (Expense) .....	<u>154,157</u>
Contributions made .....	<u>(60,631)</u>
Increase in Net OPEB Obligation.....	93,526
Net OPEB Obligation - Beginning of Year .....	—
Net OPEB Obligation - End of Year.....	<u><u>\$ 93,526</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2009.

For the fiscal year 2009, the College contributed \$60,631 to the medical plan.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$154,157	39.3%	\$93,526

## Notes to the Financial Statements

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### **(9) Other Postemployment Benefits (OPEB)**

#### **Funded Status and Funding Progress**

As of July 1, 2008, the most recent actuarial valuation date for the period of July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.452 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.452 million. The covered payroll (annual payroll of active employees covered by the plan) as \$11.381 million, and the ratio of the UAAL to the covered payroll was 12.8%. As of June 30, 2009, there were no trust fund assets.

#### **Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the College's funding policy. The health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

The UAAL is being amortized as a level percentage of projected payroll expense on a closed basis over 30 years.

### **(10) Risk Management**

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The College assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2009.

## Notes to the Financial Statements

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### (10) Risk Management

The College purchases commercial insurance for employee health, dental and vision insurance. Beginning January 1, 1996, the College began self-funding the plan for the difference in the \$500 deductible plan to the \$100 deductible amount. The activity in the reserve for unsubmitted insurance claims is as follows:

Beginning balance .....	\$ 50,272
Claims and changes in estimates .....	201,361
Claims and administrative fees paid .....	<u>(205,188)</u>
<b>Ending Balance</b> .....	<b><u>\$ 46,445</u></b>

### (11) New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area II in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered 120 projects with 23 currently receiving project funding. The remaining 97 projects have been completed, of which 37 are in repayment process and 60 have been fully repaid.

The College has receivables totaling approximately \$485,000 from employers who are making an attempt to pay the balance. However, it appears doubtful that the employers are going to be able to make the payments. The College has not set up an allowance as they intend to levy property taxes for these uncollectible accounts. The tax levies will correspond with the repayment schedule that would have been followed by the employers.

The College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area II in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Workforce Training Fund or the Grow Iowa Values Fund which are State administered funds. Since inception, the College has administered 175 projects, with 24 currently receiving project funding and the remaining 151 having been completed.

### (12) Commitments

As of June 30, 2009, the College had outstanding commitments for capital improvements to facilities of approximately \$66,000.

## Notes to the Financial Statements

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### (13) Related Party Transactions

The North Iowa Area Community College Foundation (Foundation) provided funding for various projects of the College. The Foundation committed to and paid \$675,364 for the year ended June 30, 2009. The Foundation also owed \$5,385 to the College as of June 30, 2009, which is reflected in the statement of net assets.

The College paid \$49,027 of rent to the Foundation for the use of farmland owned by the Foundation.

### (14) Subsequent Events

On November 17, 2009, the Board of Directors approved the issuance of Industrial New Jobs Training certificates totaling \$875,000 for new projects.

Management has evaluated subsequent events through January 28, 2010, the date which the financial statements were available to be issued.

### (15) Restatement of Beginning Net Assets/Fund Balance

Architect fees of \$277,718 for the recreation center should have been capitalized in the year ended June 30, 2007 but were improperly expensed.

	<b>Statement of Revenue, Expenses and Changes in Net Assets</b>
Net Assets/Fund Balance - Beginning of Year, as previously reported.....	\$ 30,351,198
Restate funds as noted above.....	<u>277,718</u>
<b>Net Assets/Fund Balance - End of Year, as Restated .....</b>	<b><u>\$ 30,628,916</u></b>

**Required Supplementary Information**

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## Schedule of Funding Progress for the Retiree Health Plan ---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2008	\$—	\$1,452,000	\$1,452,000	0.0%	\$11,381,000	12.76%

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

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# Schedule of Budgetary Comparison of Expenditures - Budget and Actual

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Between Actual and Amended Budget
Unrestricted .....	\$ 23,524,572	\$ 23,524,572	\$ 21,262,903	\$ 2,261,669
Restricted .....	6,667,200	6,667,200	2,924,899	3,742,301
Unemployment .....	60,000	60,000	51,426	8,574
Insurance.....	329,144	329,144	317,404	11,740
Early retirement .....	186,000	186,000	20,391	165,609
Equipment replacement...	<u>650,000</u>	<u>650,000</u>	<u>270,376</u>	<u>379,624</u>
Total Restricted.....	<u>7,892,344</u>	<u>7,892,344</u>	<u>3,584,496</u>	<u>4,307,848</u>
Plant .....	<u>2,452,000</u>	<u>3,375,100</u>	<u>2,158,825</u>	<u>1,216,275</u>
Bonds and interest.....	<u>—</u>	<u>—</u>	<u>71,888</u>	<u>(71,888)</u>
<b>Total .....</b>	<b><u>\$ 33,868,916</u></b>	<b><u>\$ 34,792,016</u></b>	<b><u>\$ 27,078,112</u></b>	<b><u>\$ 7,713,904</u></b>

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a modified accrual basis in accordance with the Iowa Department of Education. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Improvement Act, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

The College overexpended its budget in the bonds and interest function.

## Note 1 - Reconciliation Between Budgetary Basis Statement and GAAP Expenses

The budget is prepared on the current financial resources measurement focus and does not include several groups of expenditures. The reconciliation between the expenditures on the budgetary basis and the GAAP basis statement of revenue, expenses and changes in net assets is as follows:

Total actual expenditures above, budgetary basis .....	\$ 27,078,112
Items Not Required to be Budgeted	
Auxiliary enterprises.....	4,473,241
Scholarships and grants .....	3,060,557
Iowa Workforce Development contract .....	2,202,003
Loan funds .....	18,356
Investment in plant.....	15,547
Combining adjustments .....	<u>(4,026,758)</u>
<b>Total Expenses .....</b>	<b><u>\$ 32,821,058</u></b>

Expenses from the statement of revenue, expenses and changes in net assets are as follows:

Total operating expenses .....	\$ 32,287,756
Interest on indebtedness .....	<u>533,302</u>
<b>Total Expenses .....</b>	<b><u>\$ 32,821,058</u></b>

## Other Supplementary Information

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Other supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenue and expenditures.

The various fund groups and their designated purposes are as follows:

**Current Funds** - The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College and consist of the following:

***Unrestricted Fund*** - The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the College.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide noninstructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the College.

***Restricted Fund*** - The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

**Loan Funds** - The Loan Funds are used to account for loans to students, and are financed primarily by the federal government.

**Plant Funds** - The Plant Funds are used to account for transactions relating to investment in the College properties, and consist of the following self-balancing subfunds:

***Unexpended*** - This account is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

***Retirement of Indebtedness*** - This account is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

***Investment in Plant*** - This account is used to account for the excess of the carrying value of plant assets over the related liabilities.

**Agency Funds** - The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities.

The Budgetary Comparison Schedule of Expenditures - Budget to Actual provides a comparison of the budget to actual expenditures for those funds and/or levies required to be budgeted. Since North Iowa Area Community College uses business-type activities reporting, this budgetary comparison information is included as other supplementary information.

Statements presented in other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The schedules of revenue, expenditures and changes in fund balances are statements of financial activities related to the current reporting period. They do not purport to present the results of operations or net income or loss for the period as would statements of income or statements of revenue and expenses.

# Combining Balance Sheet Schedule

At June 30, 2009

	Current Funds		Loan Funds	Plant Funds		Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Investment in Plant			
<b>Assets</b>								
Cash and certificates of deposit .....	\$ 5,037,399	\$ 11,153,443	\$ 31,620	\$ 2,480,907	\$ —	\$ 235,571	\$ —	\$ 18,938,940
Receivables								
Accounts (net of allowance for doubtful accounts - \$239,342) .....	769,790	15,226	—	146	—	103,336	—	888,498
Property tax - succeeding year .....	1,052,217	1,118,467	—	1,052,217	—	—	—	3,222,901
Notes (net of allowance for doubtful accounts - \$24,472) .....	—	137,135	26,588	—	—	—	—	163,723
Iowa Industrial New Jobs Training Program .....	—	2,527,421	—	—	—	—	—	2,527,421
Due from other funds .....	544,060	44,486	236	—	—	—	(588,782)	—
Due from other governments .....	279,676	914,474	—	3,779	—	235,395	—	1,433,324
Prepaid expenses .....	23,534	3,313	—	—	—	15,546	—	42,393
Inventories .....	446,984	—	—	—	—	—	—	446,984
Plant Assets								
Land .....	—	—	—	—	340,756	—	—	340,756
Buildings .....	—	—	—	—	33,022,317	—	—	33,022,317
Other structures and improvements .....	—	—	—	—	2,624,671	—	—	2,624,671
Furniture and equipment .....	—	—	—	—	6,495,755	—	—	6,495,755
Accumulated depreciation .....	—	—	—	—	—	—	(19,610,580)	(19,610,580)
<b>Total Assets</b> .....	<b>\$ 8,153,660</b>	<b>\$ 15,913,965</b>	<b>\$ 58,444</b>	<b>\$ 3,537,049</b>	<b>\$ 42,483,499</b>	<b>\$ 589,848</b>	<b>\$ (20,199,362)</b>	<b>\$ 50,537,103</b>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
Accounts payable .....	\$ 202,548	\$ 124,045	\$ 10,369	\$ —	\$ —	\$ 73,257	\$ —	\$ 410,219
Salaries and benefits payable .....	1,086,618	95,848	—	—	—	—	(40,260)	1,142,206
Interest payable .....	—	32,747	—	—	—	—	—	32,747
Due to other funds .....	—	363,278	1,152	142,122	—	82,230	(588,782)	—
Compensated absences .....	415,883	117,742	—	—	—	—	—	533,625
Insurance claims incurred but not reported .....	46,445	—	—	—	—	—	—	46,445
Deposits held in trust .....	29,898	168	—	—	—	396,625	—	426,691
Advance payable .....	62,000	—	—	—	—	—	—	62,000
Deferred Revenue								
Succeeding year property tax .....	1,052,217	1,118,467	—	1,052,217	—	—	—	3,222,901
Tuition .....	63,728	—	—	—	—	—	135,881	199,609
Other .....	53,306	3,005,391	—	—	—	37,736	—	3,096,433
Early retirement payable .....	—	270,910	—	—	—	—	—	270,910
Certificates payable .....	—	7,195,000	—	—	—	—	—	7,195,000
Notes payable .....	—	—	—	1,735,000	—	—	—	1,735,000
Net OPEB liability .....	—	—	—	—	—	—	93,526	93,526
Refundable advances on student loans .....	—	—	33,859	—	—	—	—	33,859
<b>Total Liabilities</b> .....	<b>3,012,643</b>	<b>12,323,596</b>	<b>45,380</b>	<b>2,929,339</b>	<b>—</b>	<b>589,848</b>	<b>(399,635)</b>	<b>18,501,171</b>
<b>Fund Balance</b>								
Invested in capital assets, net of related debt .....	—	—	—	—	42,483,499	—	(19,610,580)	22,872,919
Fund Balances								
Restricted, Expendable								
Loans .....	—	—	13,064	—	—	—	—	13,064
Cash reserve .....	—	285,793	—	—	—	—	—	285,793
Other .....	—	3,304,576	—	—	—	—	—	3,304,576
Unrestricted .....	4,457,627	—	—	607,710	—	—	(189,147)	4,876,190
Auxiliary enterprises .....	683,390	—	—	—	—	—	—	683,390
<b>Total Fund Balance</b> .....	<b>5,141,017</b>	<b>3,590,369</b>	<b>13,064</b>	<b>607,710</b>	<b>42,483,499</b>	<b>—</b>	<b>(19,799,727)</b>	<b>32,035,932</b>
<b>Total Liabilities and Fund Balance</b> .....	<b>\$ 8,153,660</b>	<b>\$ 15,913,965</b>	<b>\$ 58,444</b>	<b>\$ 3,537,049</b>	<b>\$ 42,483,499</b>	<b>\$ 589,848</b>	<b>\$ (20,199,362)</b>	<b>\$ 50,537,103</b>

# Combining Schedule of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2009

Revenue	Current Funds		Loan Funds	Plant Funds		Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness		
General							
State appropriations.....	\$ 10,180,556	\$ 350,635	\$ —	\$ 23,492	\$ —	\$ —	\$ 10,554,683
Tuition and fees .....	9,650,246	—	—	—	—	(2,921,247)	6,728,999
Property tax.....	1,040,892	1,297,852	—	1,040,892	—	—	3,379,636
Federal appropriations.....	402,745	6,206,641	—	48,565	—	—	6,657,951
Sales and services.....	186,494	34,160	—	—	—	(58,535)	162,119
Interest on investments.....	115,756	293,526	1,542	61,183	—	—	472,007
Iowa Industrial New Jobs Training Program .....	—	1,076,200	—	—	—	—	1,076,200
Increase in plant investment due to donated assets.....	—	—	—	—	—	85,894	85,894
Increase in plant investment due to plant expenditures (including \$218,824 in current fund expenditures) .....	—	—	—	—	—	1,563,283	(1,563,283)
Gifts.....	220,154	111,800	—	125,000	—	—	456,954
Miscellaneous .....	334,202	730,865	15,792	—	—	(190,709)	890,150
<b>Total General .....</b>	<b>22,131,045</b>	<b>10,101,679</b>	<b>17,334</b>	<b>1,299,132</b>	<b>—</b>	<b>(4,733,774)</b>	<b>30,464,593</b>
Auxiliary Enterprises							
Sales and services.....	4,100,709	—	—	—	—	(626,301)	3,474,408
Interest on investments.....	32,351	—	—	—	—	—	32,351
Gifts.....	218,911	—	—	—	—	—	218,911
Miscellaneous .....	37,811	—	—	—	—	—	37,811
<b>Total Auxiliary Enterprises .....</b>	<b>4,389,782</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(626,301)</b>	<b>3,763,481</b>
<b>Total Revenue.....</b>	<b>26,520,827</b>	<b>10,101,679</b>	<b>17,334</b>	<b>1,299,132</b>	<b>—</b>	<b>(5,360,075)</b>	<b>34,228,074</b>
<b>Expenditures</b>							
Education and Support							
Liberal arts and sciences .....	6,275,366	55,269	—	—	—	53,030	6,383,665
Vocational technical.....	3,741,402	250,153	—	—	—	(193,427)	3,798,128
Adult education .....	2,303,121	4,428	—	—	—	(30,846)	2,276,703
Cooperative services .....	39,853	1,886,247	—	—	—	(361,716)	1,564,384
Administration .....	1,525,765	76,047	—	—	—	(54,706)	1,547,106
Student services .....	3,225,468	399,843	—	—	—	(478)	3,624,833
Learning resources .....	549,150	12,228	—	—	—	1,690	563,068
Physical plant.....	1,758,546	199,119	—	—	—	(82,560)	1,875,105
General institution .....	1,844,232	239,748	—	—	—	(93,440)	1,990,540
<b>Total Education and Support.....</b>	<b>21,262,903</b>	<b>3,123,082</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(762,453)</b>	<b>23,623,532</b>
Auxiliary enterprises.....	4,473,241	—	—	—	—	(711,897)	3,761,344
Scholarships and grants.....	—	3,060,557	—	—	—	(2,255,954)	804,603
Iowa Workforce Development contract.....	—	2,202,003	—	—	—	(289,110)	1,912,893
Loan cancellations and bad debts.....	—	—	3,274	—	—	—	3,274
Administrative and collection costs.....	—	—	15,082	859,913	—	—	874,995
Plant asset acquisitions.....	—	—	—	1,298,912	—	(1,298,912)	—
Loss on disposal of plant assets.....	—	—	—	—	—	15,547	(15,547)
Interest on indebtedness.....	—	461,414	—	—	71,888	—	533,302
Depreciation .....	—	—	—	—	—	1,307,115	1,307,115
<b>Total Expenditures.....</b>	<b>25,736,144</b>	<b>8,847,056</b>	<b>18,356</b>	<b>2,158,825</b>	<b>71,888</b>	<b>(4,026,758)</b>	<b>32,821,058</b>
<b>Revenue Over (Under) Expenditures.....</b>	<b>784,683</b>	<b>1,254,623</b>	<b>(1,022)</b>	<b>(859,693)</b>	<b>(71,888)</b>	<b>1,633,630</b>	<b>1,407,016</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in.....	1,551,798	6,636	—	492,500	71,888	2,122,822	—
Transfers out .....	(2,048,282)	(1,500)	(1,152)	(71,888)	—	(2,122,822)	—
<b>Total Other Financing Sources (Uses).....</b>	<b>(496,484)</b>	<b>5,136</b>	<b>(1,152)</b>	<b>420,612</b>	<b>71,888</b>	<b>—</b>	<b>—</b>
<b>Net.....</b>	<b>288,199</b>	<b>1,259,759</b>	<b>(2,174)</b>	<b>(439,081)</b>	<b>—</b>	<b>(1,333,317)</b>	<b>1,407,016</b>
Fund Balances - Beginning of Year, as restated (Note 15) .....	4,852,818	2,330,610	15,238	1,046,791	—	(18,466,410)	30,628,916
<b>Fund Balances - End of Year.....</b>	<b>\$ 5,141,017</b>	<b>\$ 3,590,369</b>	<b>\$ 13,064</b>	<b>\$ 607,710</b>	<b>\$ —</b>	<b>\$ 42,483,499</b>	<b>\$ 32,035,932</b>

# Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Unrestricted Fund - Education and Support

Year Ended June 30, 2009

	Education				Support					Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
<b>Revenue</b>										
State appropriations, grants and contracts.....	\$ 5,784,764	\$ 2,326,178	\$ 2,050,953	\$ —	\$ 6,037	\$ 12,624	\$ —	\$ —	\$ —	\$ 10,180,556
Tuition and fees.....	6,600,722	2,194,272	853,702	—	—	1,550	—	—	—	9,650,246
Property tax.....	—	—	—	—	1,040,892	—	—	—	—	1,040,892
Federal appropriations.....	—	203,162	156,906	—	5,470	525	—	36,682	—	402,745
Sales and services.....	20,753	75,536	15,314	4,382	—	1,190	855	68,289	175	186,494
Interest on investments.....	—	—	—	—	114,027	—	—	—	1,729	115,756
Gifts.....	32,323	76,800	—	—	—	—	124	—	110,907	220,154
Miscellaneous.....	98,689	93,207	24,104	—	60,069	45,273	179	9,486	3,195	334,202
	12,537,251	4,969,155	3,100,979	4,382	1,226,495	61,162	1,158	114,457	116,006	22,131,045
Allocation of support services.....	924,308	366,351	228,619	—	(1,226,495)	(61,162)	(1,158)	(114,457)	(116,006)	—
<b>Total Revenue.....</b>	<b>13,461,559</b>	<b>5,335,506</b>	<b>3,329,598</b>	<b>4,382</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>22,131,045</b>
<b>Expenditures</b>										
Salaries and benefits.....	5,864,694	3,043,823	1,335,356	8,351	1,022,447	2,480,223	398,898	1,126,213	830,487	16,110,492
Services.....	178,636	258,479	830,434	29,525	117,040	135,907	11,696	278,974	851,609	2,692,300
Materials and supplies.....	140,138	321,846	117,406	1,152	43,361	124,185	137,353	327,311	95,741	1,308,493
Travel.....	59,078	39,056	16,818	825	57,973	31,096	1,203	2,123	66,395	274,567
Plant asset acquisitions.....	32,820	78,198	3,107	—	20,711	13,462	—	23,925	—	172,223
Miscellaneous.....	—	—	—	—	264,233	440,595	—	—	—	704,828
	6,275,366	3,741,402	2,303,121	39,853	1,525,765	3,225,468	549,150	1,758,546	1,844,232	21,262,903
Allocation of support services.....	4,534,992	2,703,783	1,664,386	—	(1,525,765)	(3,225,468)	(549,150)	(1,758,546)	(1,844,232)	—
<b>Total Expenditures.....</b>	<b>10,810,358</b>	<b>6,445,185</b>	<b>3,967,507</b>	<b>39,853</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>21,262,903</b>
<b>Revenue Over (Under) Expenditures.....</b>	<b>2,651,201</b>	<b>(1,109,679)</b>	<b>(637,909)</b>	<b>(35,471)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>868,142</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in.....	686,184	—	—	—	—	—	—	—	—	686,184
Transfers out.....	(481,247)	—	(6,636)	—	—	—	—	(492,500)	—	(980,383)
<b>Total Other Financing Sources (Uses).....</b>	<b>204,937</b>	<b>—</b>	<b>(6,636)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(492,500)</b>	<b>—</b>	<b>(294,199)</b>
<b>Net.....</b>	<b>\$ 2,856,138</b>	<b>\$ (1,109,679)</b>	<b>\$ (644,545)</b>	<b>\$ (35,471)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (492,500)</b>	<b>\$ —</b>	<b>\$ 573,943</b>

## Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Unrestricted Fund - Auxiliary Enterprises

Year Ended June 30, 2009

	Trade and Industry	Farm	Food Services	Auditorium	Dormitories	Athletics	Tech-Prep	BookZone	Miscellaneous	Total
<b>Revenue</b>										
Sales and services .....	\$ 45,394	\$ 206,033	\$ 1,100,766	\$ 455,126	\$ 1,619,174	\$ 235,860	\$ —	\$ 419,728	\$ 18,628	\$ 4,100,709
Interest on investments .....	1,386	401	16,776	—	9,496	—	217	—	4,075	32,351
Gifts .....	—	25,985	—	78,927	—	113,999	—	—	—	218,911
Miscellaneous .....	—	910	1,481	10,764	3,486	19,264	—	1,906	—	37,811
<b>Total Revenue .....</b>	<b><u>46,780</u></b>	<b><u>233,329</u></b>	<b><u>1,119,023</u></b>	<b><u>544,817</u></b>	<b><u>1,632,156</u></b>	<b><u>369,123</u></b>	<b><u>217</u></b>	<b><u>421,634</u></b>	<b><u>22,703</u></b>	<b><u>4,389,782</u></b>
<b>Expenditures</b>										
Salaries and benefits .....	—	41,317	384,735	69,140	268,384	5,753	—	65,706	—	835,035
Service .....	—	83,792	6,691	469,108	435,880	53,457	—	22,499	—	1,071,427
Materials and supplies .....	46,295	101,004	575,154	22,863	56,825	240,695	—	360,010	—	1,402,846
Travel .....	—	—	5,934	2,991	—	253,464	—	12,308	—	274,697
Plant asset acquisitions .....	—	—	29,771	—	—	—	—	—	—	29,771
Miscellaneous .....	—	—	—	14,013	675,549	166,166	—	3,737	—	859,465
<b>Total Expenditures .....</b>	<b><u>46,295</u></b>	<b><u>226,113</u></b>	<b><u>1,002,285</u></b>	<b><u>578,115</u></b>	<b><u>1,436,638</u></b>	<b><u>719,535</u></b>	<b><u>—</u></b>	<b><u>464,260</u></b>	<b><u>—</u></b>	<b><u>4,473,241</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>485</u></b>	<b><u>7,216</u></b>	<b><u>116,738</u></b>	<b><u>(33,298)</u></b>	<b><u>195,518</u></b>	<b><u>(350,412)</u></b>	<b><u>217</u></b>	<b><u>(42,626)</u></b>	<b><u>22,703</u></b>	<b><u>(83,459)</u></b>
<b>Other Financing Sources (Uses)</b>										
Transfers In .....	—	—	—	—	481,247	384,367	—	—	—	865,614
Transfers out .....	—	—	(100,000)	—	(948,157)	—	—	—	(19,742)	(1,067,899)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(100,000)</u></b>	<b><u>—</u></b>	<b><u>(466,910)</u></b>	<b><u>384,367</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(19,742)</u></b>	<b><u>(202,285)</u></b>
<b>Net .....</b>	<b><u>485</u></b>	<b><u>7,216</u></b>	<b><u>16,738</u></b>	<b><u>(33,298)</u></b>	<b><u>(271,392)</u></b>	<b><u>33,955</u></b>	<b><u>217</u></b>	<b><u>(42,626)</u></b>	<b><u>2,961</u></b>	<b><u>(285,744)</u></b>
Fund Balances - Beginning of Year .....	70,030	(12,455)	534,244	115,056	228,679	(120,807)	9,358	—	145,029	969,134
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 70,515</u></b>	<b><u>\$ (5,239)</u></b>	<b><u>\$ 550,982</u></b>	<b><u>\$ 81,758</u></b>	<b><u>\$ (42,713)</u></b>	<b><u>\$ (86,852)</u></b>	<b><u>\$ 9,575</u></b>	<b><u>\$ (42,626)</u></b>	<b><u>\$ 147,990</u></b>	<b><u>\$ 683,390</u></b>

**Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Restricted Fund**

Year Ended June 30, 2009

	Scholarships and Grants	Equipment Replacement	Insurance	Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Workforce Development Contract	Temporary Assistance for Needy Families	Other	Iowa Industrial New Jobs Training Program Administration	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
<b>Revenue</b>													
State appropriations .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 171,302	\$ —	\$ —	\$ 179,333	\$ 350,635
Property tax .....	—	462,618	311,339	451,074	68,859	—	—	—	—	—	3,962	—	1,297,852
Federal appropriations.....	3,060,557	—	—	—	—	—	1,626,563	343,331	64,495	—	—	1,111,695	6,206,641
Sales and services .....	—	—	—	—	—	—	—	—	—	—	—	34,160	34,160
Interest on investments .....	42	14,814	—	5,431	—	—	—	—	40	129,270	116,883	27,046	293,526
Iowa Industrial New Jobs Training Program .....	—	—	—	—	—	—	—	—	—	—	1,076,200	—	1,076,200
Gifts .....	—	—	—	—	—	—	—	—	—	—	—	111,800	111,800
Miscellaneous.....	—	—	36,287	—	—	—	—	—	—	609,391	—	85,187	730,865
<b>Total Revenue.....</b>	<b>3,060,599</b>	<b>477,432</b>	<b>347,626</b>	<b>456,505</b>	<b>68,859</b>	<b>—</b>	<b>1,626,563</b>	<b>343,331</b>	<b>235,837</b>	<b>738,661</b>	<b>1,197,045</b>	<b>1,549,221</b>	<b>10,101,679</b>
<b>Expenditures</b>													
Salaries and benefits.....	—	—	—	20,391	51,426	—	730,292	259,411	134,220	168,306	—	1,221,540	2,585,586
Services.....	—	—	317,404	—	—	—	704,715	53,980	60,040	11,944	735,631	113,449	1,997,163
Materials and supplies.....	—	6,331	—	—	—	—	171,634	20,246	24,764	940	—	101,897	325,812
Travel.....	—	—	—	—	—	—	18,541	2,235	5,826	5,476	—	35,305	67,383
Plant asset acquisitions.....	—	264,045	—	—	—	—	—	7,459	7,259	—	—	36,758	315,521
Interest on indebtedness.....	—	—	—	—	—	—	—	—	—	—	461,414	—	461,414
Federal Pell Grant Program.....	2,918,463	—	—	—	—	—	—	—	—	—	—	—	2,918,463
Federal Supplemental Education Opportunity Grants.....	142,094	—	—	—	—	—	—	—	—	—	—	—	142,094
Loan cancellations and bad debts.....	—	—	—	—	—	—	1,381	—	—	—	—	2,239	3,620
Private scholarships .....	—	—	—	—	—	—	—	—	—	—	—	30,000	30,000
<b>Total Expenditures.....</b>	<b>3,060,557</b>	<b>270,376</b>	<b>317,404</b>	<b>20,391</b>	<b>51,426</b>	<b>—</b>	<b>1,626,563</b>	<b>343,331</b>	<b>232,109</b>	<b>186,666</b>	<b>1,197,045</b>	<b>1,541,188</b>	<b>8,847,056</b>
<b>Revenue Over Expenditures.....</b>	<b>42</b>	<b>207,056</b>	<b>30,222</b>	<b>436,114</b>	<b>17,433</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,728</b>	<b>551,995</b>	<b>—</b>	<b>8,033</b>	<b>1,254,623</b>
<b>Other Financing Sources (Uses)</b>													
Transfers in.....	—	—	—	—	—	—	—	—	—	—	—	6,636	6,636
Transfers out .....	—	—	—	—	—	—	—	—	—	—	—	(1,500)	(1,500)
<b>Total Other Financing Sources.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,136</b>	<b>5,136</b>
<b>Net.....</b>	<b>42</b>	<b>207,056</b>	<b>30,222</b>	<b>436,114</b>	<b>17,433</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,728</b>	<b>551,995</b>	<b>—</b>	<b>13,169</b>	<b>1,259,759</b>
Fund Balances - Beginning of Year.....	1,943	606,270	49,075	(282,295)	(14,802)	285,793	—	—	2,377	675,231	—	1,007,018	2,330,610
<b>Fund Balances - End of Year.....</b>	<b>\$ 1,985</b>	<b>\$ 813,326</b>	<b>\$ 79,297</b>	<b>\$ 153,819</b>	<b>\$ 2,631</b>	<b>\$ 285,793</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,105</b>	<b>\$ 1,227,226</b>	<b>\$ —</b>	<b>\$ 1,020,187</b>	<b>\$ 3,590,369</b>

## Combining Schedule of Changes in Deposits Held in Custody for Others - Agency Fund

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Year Ended June 30, 2009

	Fine Arts	Student Organi- zations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel- laneous	Total
<b>Balances - Beginning of Year .....</b>	<b>\$ 64,326</b>	<b>\$ 50,160</b>	<b>\$ 246,252</b>	<b>\$ —</b>	<b>\$ 91,837</b>	<b>\$ 452,575</b>
<b>Additions</b>						
State appropriations ...	—	—	147,315	—	—	147,315
Federal appropriations	—	—	—	6,536,038	—	6,536,038
Tuition and fees .....	6,350	91,352	—	—	300	98,002
Sales and services .....	15,529	29,061	—	—	14,652	59,242
Interest on investments	1,439	2,924	—	—	4,161	8,524
Miscellaneous .....	1,000	—	—	—	77,453	78,453
<b>Total Additions .....</b>	<b><u>24,318</u></b>	<b><u>123,337</u></b>	<b><u>147,315</u></b>	<b><u>6,536,038</u></b>	<b><u>96,566</u></b>	<b><u>6,927,574</u></b>
<b>Deductions</b>						
Salaries and benefits ..	404	111	—	—	4,274	4,789
Services .....	13,344	25,575	251,554	6,536,038	84,735	6,911,246
Materials and supplies	11,112	22,669	—	—	2,202	35,983
Travel .....	704	21,279	—	—	307	22,290
Miscellaneous .....	676	8,540	—	—	—	9,216
<b>Total Deductions ..</b>	<b><u>26,240</u></b>	<b><u>78,174</u></b>	<b><u>251,554</u></b>	<b><u>6,536,038</u></b>	<b><u>91,518</u></b>	<b><u>6,983,524</u></b>
<b>Balances - End of Year .....</b>	<b><u>\$ 62,404</u></b>	<b><u>\$ 95,323</u></b>	<b><u>\$ 142,013</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 96,885</u></b>	<b><u>\$ 396,625</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<b>U.S. Small Business Administration - Direct</b>			
Congressional Mandated Award - Incubator .....	59.SBAHQ- 06-I-0090		\$ 199,514
Congressional Mandated Award - Incubator .....	59.SBAHQ- 08-I-0042		<u>73,680</u>
<b>Total U.S. Small Business Administration - Direct .....</b>			<b><u>273,194</u></b>
<b>U.S. Department of Veterans Affairs - Direct</b>			
Vocational Rehabilitation for Disabled Veterans .....	64.116		<u>525</u>
<b>U.S. Department of Education - Direct</b>			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		65,669
Federal Work-Study Program .....	84.033		86,619
Federal Pell Grant Program .....	84.063		2,923,934
Federal Direct Student Loans .....	84.268		6,536,038
Academic Competitiveness Grants .....	84.375		<u>76,425</u>
Total Student Financial Aid Cluster.....			<u>9,688,685*</u>
TRIO-Student Support Services .....	84.042		<u>274,648</u>
<b>Total U.S. Department of Education - Direct</b>			<b><u>9,963,333</u></b>
<b>U.S. Department of Agriculture - Indirect</b>			
Rural Community Development Initiative .....	10.446		<u>29,800</u>
<b>U.S. Department of Labor - Indirect</b>			
Pass-Through Iowa Workforce Development Employment Service Cluster			
Employment Service/Wagner-Peyser Funded Activities .....	17.207	1-W-02-FR-0	56,314
Work Incentive Grants .....	17.266	1-W-02-FR-0	2,467
Disabled Veterans' Outreach Program.....	17.801	1-W-02-FR-0	3,301
Local Veterans' Employment Representative Program	17.804		<u>3,338</u>
Total Employment Service Cluster.....			<u>65,420</u>
Unemployment Insurance .....	17.225	1-W-02-FR-0	<u>16,659</u>
Trade Adjustment Assistance .....	17.245		<u>2,849</u>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. Department of Labor - Indirect</b>			
Pass-Through Iowa Workforce Development			
Workforce Investment Act Cluster			
WIA Adult Program.....	17.258	1-W-02-FR-0	\$ 55,882
ARRA - WIA Adult Program.....	17.258		11,585
WIA Youth Activities .....	17.259	1-W-02-FR-0	73,570
ARRA - Youth Activities.....	17.259		32,716
WIA Dislocated Workers.....	17.260	1-W-02-FR-0	1,238,011
ARRA - WIA Dislocated Workers .....	17.260		<u>108,167</u>
Total Workforce Investment Cluster.....			<u>1,519,931</u>
 Incentive Grants - WIA Section 503.....	 17.267	 28106	 <u>72,122</u>
 Pass-Through Iowa Department of Education			
Mine Health and Safety Grants.....	17.600		<u>1,870</u>
<b>Total U.S. Department of Labor - Indirect....</b>			<b><u>1,678,851</u></b>
 <b>U.S. Small Business Administration - Indirect</b>			
Pass-Through Iowa State University			
Small Business Development Centers.....	59.037		<u>58,385</u>
 <b>U.S. Department of Education - Indirect</b>			
Pass-Through Iowa Department of Education			
Adult Education - Basic Grants to States.....	84.002		155,036
Higher Education - Institutional Aid.....	84.031		356,528
Career and Technical Education - Basic Grants to States	84.048		206,429
Tech-Prep Education .....	84.243		<u>77,819</u>
<b>Total U.S. Department of Education - Indirect</b>			<b><u>795,812</u></b>
 <b>U.S. Department of Health and Human Services - Indirect</b>			
Pass-Through Iowa Department of Education			
Student Financial Aid Cluster			
Nursing Student Loans - Federal Capital Contributions.....	93.364		50,528*
Pass-Through Iowa Workforce Development			
Temporary Assistance for Needy Families .....	93.558	1-W-02-FR-0	<u>343,331</u>
<b>Total U.S. Department of Health and Human Services - Indirect.....</b>			<b><u>393,859</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>Social Security Administration - Indirect</b>			
Pass-Through Iowa Workforce Development			
Social Security - Work Incentives Planning and Assistance Program .....	96.008	1-W-02-FR-0	<u>\$ 6,611</u>
<b>U.S. Department of Homeland Security - Indirect</b>			
Federal Emergency Management Agency			
Pass-Through Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) .....	97.036		<u>36,682</u>
<b>Total Federal Financial Assistance.....</b>			<u><b>\$ 13,237,052</b></u>

\* Total Student Financial Aid Cluster - \$9,739,213

## (1) Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of North Iowa Area Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## (2) Loans Outstanding

The Federal Direct Loan Program provides loans directly from the federal government to students and their parents. The amount presented represents the value of new loans awarded by the College during the year.

The amount presented for Nursing Student Loans represents the balance of loans outstanding as of June 30, 2009 of \$50,528. Loan balances at June 30, 2009 include new loans advanced during the year of \$1,750 and \$48,778 for the balance of loans from previous years for which the government imposes continuing compliance requirements.

**Statistical Section**



# Schedule of Credit and Contact Hours

Year Ended June 30, 2009

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences .....	49,029	—	49,029	—	—	—
Vocational education ....	25,869	—	25,869	—	—	—
Adult education/ continuing education	—	—	—	416,916	43,645	460,561
<b>Total .....</b>	<b><u>74,898</u></b>	<b><u>—</u></b>	<b><u>74,898</u></b>	<b><u>416,916</u></b>	<b><u>43,645</u></b>	<b><u>460,561</u></b>

## Schedule of Tax and Intergovernmental Revenue

Years Ended June 30, 2002 Through 2009

	2009	2008	2007	2006	2005	2004	2003	2002
Local (property tax).....	\$ 3,379,636	\$ 3,209,007	\$ 2,962,592	\$ 2,810,438	\$ 2,757,931	\$ 2,903,480	\$ 2,792,992	\$ 2,405,825
State .....	10,554,683	10,782,145	9,789,440	9,244,435	8,674,524	7,862,838	7,942,213	8,497,683
Federal .....	<u>6,657,951</u>	<u>5,548,711</u>	<u>4,534,172</u>	<u>4,094,963</u>	<u>4,377,657</u>	<u>4,277,760</u>	<u>3,920,410</u>	<u>3,774,320</u>
<b>Total .....</b>	<b><u>\$ 20,592,270</u></b>	<b><u>\$ 19,539,863</u></b>	<b><u>\$ 17,286,204</u></b>	<b><u>\$ 16,149,836</u></b>	<b><u>\$ 15,810,112</u></b>	<b><u>\$ 15,044,078</u></b>	<b><u>\$ 14,655,615</u></b>	<b><u>\$ 14,677,828</u></b>

**Schedule of Current Funds Revenue by Source and Expenditures  
by Function**

Years Ended June 30, 2002 Through 2009

	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenue</b>								
State appropriations, grants and contracts...	\$ 10,531,191	\$ 10,100,971	\$ 9,678,544	\$ 8,711,014	\$ 8,380,523	\$ 7,862,838	\$ 7,942,213	\$ 8,144,350
Tuition and fees .....	9,650,246	9,359,960	8,563,029	8,371,061	7,999,703	7,542,650	6,991,633	6,750,829
Property tax .....	2,338,744	2,224,032	2,001,291	1,897,426	1,865,506	1,944,177	1,842,351	1,476,735
Federal appropriations.....	6,609,386	5,092,587	4,446,171	4,094,963	4,377,657	4,277,760	3,920,410	3,774,320
Sales and services .....	220,654	239,945	251,662	364,703	321,134	451,282	543,487	562,753
Interest on investments .....	409,282	750,316	763,926	489,162	263,177	143,427	195,887	308,741
Iowa Industrial New Jobs Training Program	1,076,200	1,110,306	1,067,167	1,536,809	1,833,748	1,293,308	1,810,724	1,126,408
Auxiliary enterprises .....	4,389,782	3,806,512	3,589,113	3,048,076	1,566,038	836,274	850,365	802,581
Miscellaneous.....	1,397,021	1,926,115	2,046,803	1,784,495	2,045,179	1,638,369	1,731,013	2,332,450
<b>Total Revenue .....</b>	<b>\$ 36,622,506</b>	<b>\$ 34,610,744</b>	<b>\$ 32,407,706</b>	<b>\$ 30,297,709</b>	<b>\$ 28,652,665</b>	<b>\$ 25,990,085</b>	<b>\$ 25,828,083</b>	<b>\$ 25,279,167</b>
<b>Expenditures</b>								
Liberal arts and sciences.....	\$ 6,330,635	\$ 6,288,908	\$ 5,943,033	\$ 5,588,990	\$ 5,676,475	\$ 5,368,917	\$ 5,791,601	\$ 5,496,919
Vocational technical.....	3,991,555	3,904,936	3,085,462	3,267,663	3,266,549	3,075,553	3,177,517	3,195,220
Adult education.....	2,307,549	3,558,893	3,531,714	3,533,602	3,053,689	3,267,796	3,461,202	3,334,166
Cooperative services .....	1,926,100	2,291,350	1,786,208	2,077,615	2,153,615	1,456,014	1,905,524	1,446,772
Administration.....	1,601,812	1,742,303	1,570,535	1,407,399	1,189,597	1,126,724	1,052,522	888,246
Student services .....	3,625,311	3,500,896	3,105,053	3,078,987	2,715,377	2,441,405	2,198,980	2,031,108
Learning resources.....	561,378	569,277	529,873	540,632	582,289	467,132	476,031	484,121
Physical plant .....	1,957,665	1,840,561	1,980,149	2,067,471	2,006,982	1,923,055	1,689,474	2,221,039
General institution.....	2,083,980	2,051,474	2,202,957	1,680,644	1,561,915	1,361,546	1,306,644	1,138,786
Auxiliary enterprises .....	4,473,241	3,621,093	3,202,981	2,758,600	1,508,483	870,523	795,084	823,391
Scholarships and grants.....	3,060,557	2,461,990	2,272,500	2,111,449	2,431,863	2,382,837	2,092,749	1,914,420
Iowa Workforce Development contract.....	2,202,003	1,189,384	999,964	975,731	1,126,671	1,049,312	1,013,050	1,105,290
Interest on indebtedness .....	461,414	480,212	517,985	457,792	468,070	466,249	467,138	510,655
<b>Total Expenditures` .....</b>	<b>\$ 34,583,200</b>	<b>\$ 33,501,277</b>	<b>\$ 30,728,414</b>	<b>\$ 29,546,575</b>	<b>\$ 27,741,575</b>	<b>\$ 25,257,063</b>	<b>\$ 25,427,516</b>	<b>\$ 24,590,133</b>

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

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Board of Directors  
North Iowa Area Community College  
Mason City, Iowa

We have audited the financial statements of North Iowa Area Community College, Mason City, Iowa, as of and for the year ended June 30, 2009, which along with the discretely presented component unit collectively comprise the College's basic financial statements, on which we have issued our report dated January 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered North Iowa Area Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Iowa Area Community College's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of North Iowa Area Community College's financial statements that is more than inconsequential will not be prevented or detected by North Iowa Area Community College's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by North Iowa Area Community College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Iowa Area Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Section IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about North Iowa Area Community College's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of North Iowa Area Community College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Iowa Area Community College's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the College's responses, we did not audit North Iowa Area Community College's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the management of North Iowa Area Community College and other parties to whom North Iowa Area Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 28, 2010

**Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance**

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Board of Directors  
North Iowa Area Community College  
Mason City, Iowa

**Compliance**

We have audited the compliance of North Iowa Area Community College, Mason City, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. North Iowa Area Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of North Iowa Area Community College's management. Our responsibility is to express an opinion on North Iowa Area Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Iowa Area Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Iowa Area Community College's compliance with those requirements.

In our opinion, North Iowa Area Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The management of North Iowa Area Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Iowa Area Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Iowa Area Community College's internal control over compliance.

A control deficiency in the College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the College's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of North Iowa Area Community College and other parties to whom the North Iowa Area Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
January 28, 2010

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

## Part I - Summary of Auditor's Results:

### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?  yes  no

Significant deficiencies identified not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

### Federal Awards

Internal control over major programs:

Material weakness identified?  yes  no

Significant deficiencies identified not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?  yes  no

Identification of major programs:

#### **CFDA Numbers**

17.258  
17.258  
17.259  
17.259  
17.260  
17.260  
  
84.007  
  
84.033  
84.063  
84.268  
84.375  
93.364

#### **Name of Federal Program or Cluster**

Workforce Investment Act Cluster  
WIA Adult Program  
ARRA - WIA Adult Program  
WIA Youth Activities  
ARRA - Youth Activities  
WIA Dislocated Workers  
ARRA - WIA Dislocated Workers  
Student Financial Aid Cluster  
Federal Supplemental Educational  
Opportunity Grants  
Federal Work-Study Program  
Federal Pell Grant Program  
Federal Direct Student Loans  
Academic Competitiveness Grants  
Nursing Student Loans - Federal  
Capital Contributions

Dollar threshold used to distinguish between Type A and Type B programs: \$397,111

Auditee qualified as low-risk auditee?  yes  no

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2009

## **Part II: Findings Related to the Financial Statements**

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Significant Deficiencies**

Current year significant deficiencies are as follows:

**09-II-IC-A Finding** - During our audit, we tested 63 disbursements for travel expenses, 10 of which were not supported by proper documentation.

**Auditor's Recommendation** - The College should have procedures in place to ensure that all expenses have appropriate support before payment is issued.

**College's Response** - The College has requested that documentation for expenses to be reimbursed be attached to the request for payment. We will review our procedures and make the necessary changes to ensure all expenditures have appropriate supporting documentation.

**Auditor's Conclusion** - Response accepted.

## **Part III: Findings and Questioned Costs for Federal Awards**

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Significant Deficiencies**

There were no significant deficiencies reported.

## **Part IV: Findings Related to Statutory Reporting**

**09-IV-A Certified Budget** - While one category of the budget was overexpended, in total, expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.

**09-IV-B Questionable Disbursements** - No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted, except for those discussed in Finding 09-IV-C below.

**09-IV-C Travel Expense** - We tested 63 individual travel expense transactions. For ten of those items, we found that there was a lack of documentation to show that the expense met the public purpose requirement as defined in an Attorney General's opinion dated April 25, 1979. For three of those items, we found that personal expenses, including travel for other family members, were paid for with the intent that the College would be reimbursed. However, for two of those expenses there was no supporting documentation to show that the College received the reimbursements. For the other item, there was documentation supporting the reimbursement, but the College was not reimbursed until after year end, and no corresponding receivable was recorded to the financial statements.

## Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2009

**Auditor's Recommendation** - We recommend that supporting documentation for all travel disbursements be required before they are paid. We also recommend that a system to monitor personal travel expenses be implemented. This system should track both the payment of the expenses and the subsequent reimbursement to the College.

**College's Response** - The College has requested that the documentation for expenses to be reimbursed be attached to the request for payment. In addition, the College will document reimbursement for travel arrangements made for others in a workbook that includes the receipt number and date of payment. Reimbursements will be requested at the time of College payment so documentation may be noted on the paperwork. If reimbursement is requested for expenses incurred during the trip, usually food, these will be requested upon return and documented when reimbursed.

**Auditor's Conclusion** - Response accepted.

- 09-IV-D Business Transactions** - No business transactions between the College and College officials or employees were noted.
- 09-IV-E Bond Coverage** - Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 09-IV-F Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 09-IV-G Publication** - The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- 09-IV-H Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- 09-IV-I Credit and Contact Hours** - Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.